

# **RUSSIAN DEFENSE REFORM: CURRENT TRENDS**

**Irina Isakova**

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Comments pertaining to this report are invited and should be forwarded to: Director, Strategic Studies Institute, U.S. Army War College, 122 Forbes Ave, Carlisle, PA 17013-5244.

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## FOREWORD

This monograph is another in the series of studies on aspects of Russian defense and foreign policy being published by the Strategic Studies Institute (SSI). These monographs derive from a conference that was jointly sponsored by the Strategic Studies Institute; the Ellison Center for Russian, East European, and Central Asian Studies at the Jackson School of International Studies at the University of Washington; the Pacific Northwest National Laboratory's Pacific Northwest Center for Global Studies; and the Institute for Global and Regional Security Studies. This conference, titled "The U.S. and Russia: Regional Security Issues and Interests," was held in Washington, DC, on April 24-26, 2006, and examined many different regional dimensions of this bilateral relationship.

Since the fall of the Soviet Union, the topic of Russian defense policy has not received great attention. Clearly, the rebuilding of Russian military strength is a high priority of President Vladimir Putin, and one to which he and his subordinates have devoted considerable time and resources. Therefore, inattention to Russian defense policy is unwise and even dangerous because it causes us to overlook potentially major changes not only in Russian policy, but in international affairs more generally. Dr. Irina Isakova's monograph represents an effort to overcome our neglect and provide readers a comprehensive account of the defense reform, or what Moscow calls optimization. It encompasses virtually all aspects of the reform of the forces, their organizational structure, the financing of the military, reform of the defense industrial sector, etc. This topic is both timely

and particularly relevant and provides a significant addition to the series.

  
DOUGLAS C. LOVELACE, JR.  
Director  
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## BIOGRAPHICAL SKETCH OF THE AUTHOR

IRINA ISAKOVA is a freelance analyst and an Associate Fellow at the Royal United Services Institute for Defence and Security Studies (RUSI), London; monthly contributor to the business consultancy Oxford Analytica, Ltd.; member of the International Institute for Strategic Studies (IISS) and Chatham House; and a Salzburg Seminar Alumna. She served as a Specialist Adviser on Russia and the former Soviet Union to the House of Commons Defence Committee (2000-05) and as a foreign policy expert at the Foreign Affairs Committee, Russian Federation Council (1994-99). Before conducting research at RUSI, Dr. Isakova was a Research Fellow at King's College, London; Research Associate at the IISS, London; Head of Section at the Institute of the USA and Canada Studies, Russian Academy of Science (RAS), Moscow; and Director of International Programs at the Russian Science Foundation. She was a Guest Scholar at the Brookings Institution, Washington, DC; Visiting Scholar at the London School of Economics; and member of the Aspen Institute (Berlin) working group on East-West relations (1989-93). She held the UK Defence Diplomacy Fellowship (1999-2002); the NATO-EAPC Fellowship (1998-2000), and a Ford Foundation grant (2000-01). Dr. Isakova testified at the Helsinki Commission on Security and Cooperation in Europe and before the U.S. Congress, May 1994; at the Joint Hearings of the Committees on Foreign Affairs of the State Duma and Federal Council on Russian-Ukrainian relations (July 1994), and on Belarus-Russian relations (January 1995). She was a member of the inter-Parliamentary working group, RF Parliament, on the evaluation of the Russian

national security concept (1995). Dr. Isakova has written widely on a range of topics related to Russia, the Commonwealth of Independent States and Baltic States, NATO, and EU enlargement; U.S. foreign policy; and European and regional security issues. Among her numerous publications are *Russian Governance in the Twenty-First Century: Geo-strategy, Geopolitics, and Governance* (Frank Cass: London & New York, 2005) and *Regionalization of Security in Russia* (Whitehall Paper No. 53, RUSI, 2001). Dr. Isakova received an M.A. from Moscow State University and a Ph.D. in History from ISKRAN, Russian Academy of Sciences.

## SUMMARY

The Russian government has demonstrated a serious intention to address the issue of defense reform and modernize the military. Russia's defense reform is being implemented now, though it is far from being complete. The pace of the reforms and the sequence of measures needing to be taken have been adjusted to the fast-moving political and economic environment. The present stage of the reform process is a transitional phase to radical systemic changes in defense posture planned for 2011-15. It also reflects the political dynamics of the forthcoming elections in Russia. The key new developments are:

- Setting clear parameters and timing for radical Command and Control (C&C) transformation, including abandoning the Military Districts, transferring control to the operational commands and strategic "directions" (i.e., strategic areas) in 2010-15;
- Establishing a joint headquarters for special purpose forces;
- Reforming military intelligence;
- Adjusting Russia's new nuclear posture;
- Reforming the defense industry and opening doors for private investments; and,
- Establishing new forms of civil control over the military (increasing presidential influence).

Russia's political establishment, in setting a goal of reforming the defense system by introducing transparency, accountability, and civilian control over



the military, is concentrating its efforts on sustaining and modernizing nuclear strategic forces and creating robust counterterrorist special-purpose forces. These are judged to be the initial and essential tools for responding to both global and regional/local security challenges. Training is increasing, changes are being introduced to command and control and mobilization policy across the defense and security sectors, and new weapons systems are coming on line. Modernization of Russia's defense and security establishment is considered to be one of the primary national development programs. The business community is expected to join the government's efforts in funding this process, especially the procurement programs. This monograph attempts to describe the framework and current patterns of Russia's defense reform.

# **RUSSIAN DEFENSE REFORM: CURRENT TRENDS**

## **INTRODUCTION**

The Russian Federation's (RF) defense reform has proceeded through different cycles and stages, almost always under both internal and foreign criticism. Even in 2006 the debate continues, not only about whether it has been successful, but also about whether there is some sort of "road map" in reforming the Russian military and security services. In the recent past, defense reform in Russia has lacked the attention it deserves. Rather, the acute financial and structural problems that the Russian military was facing – deterioration of its potential and capabilities, growing crime rates, and hazing in the military – served as the focus of analysis and research. Many defense analysts therefore saw the declared goals and tasks of defense reform as mere wishful thinking or theoretical exercises. As a result, new trends in implementing defense reform went almost unnoticed except for the assessments of a few military experts.<sup>1</sup>

Today an assessment of current developments in Russia's defense reform once again has become essential for several reasons. First is the increasing probability of Russian energy supplies becoming an integral element of the U.S. energy supply system. As was revealed in March-April 2006, the U.S. market is ready to receive up to 10 percent of its supplies of liquefied natural gas (LNG) from Russia. There is even a possibility of increased LNG deliveries to a level of 30 percent of the U.S. market. The security of energy supplies thus becomes an important issue for both the U.S. and Russian defense and security establishments.

The Russian military services, especially the navy,<sup>2</sup> have been given new missions in providing security to offshore installations, platform infrastructure, and maritime transport routes. Their ability to provide security in these fields thus becomes important for their U.S. counterparts. Moreover, the procedures and rules of engagement (ROE) that could allow joint U.S.-Russian actions also become part of both states' security agendas.

Second, the state of Russia's nuclear posture raises additional questions about the nature of the strategic relationship between Russia and the United States. The article "The Rise of the U.S. Nuclear Primacy" by Keir A. Lieber and Daryl G. Press in the March 2006 issue of *Foreign Affairs* questioned the capability of the Russian nuclear triad to continue a policy of deterrence, or to withstand and respond to a U.S. preventive nuclear strike.<sup>3</sup> This article triggered a strong political reaction in Russia. It inspired a debate among policymakers and defense experts about the state of Russian nuclear forces and the nature of the future strategic and nuclear relationship between the United States and Russia.

Third, the success of Russian defense reforms will have a direct impact on the results of the 2007 parliamentary and 2008 presidential elections in Russia. Defense reform affects up to 30-40 percent of the voting constituency. The decisions taken as part of its implementation touch those who serve, their families, and veterans of the Ministry of Defense (MoD) and other services, not to mention those who consider themselves to be potential conscripts. Such groups have a huge stake in the decisions taken in reforming the mobilization base of the defense establishment. The preferences of this 30-40 percent of voters could be crucial in determining the results of the next elections

and the choices the nation will make in defining its defense direction over the next decade.

Fourth, a restructuring of Russia's military-industrial complex is considered to be an essential element of defense reform. The creation of vertical integrated holdings in specialized sectors (aviation, shipbuilding, information technology, etc.) is regarded as one of the essential tools for restructuring the defense industry and for channelling private, including foreign, investments into the defense sector. The creation of such holdings presents a dilemma for western and U.S. companies, i.e., whether to consider the new Russian corporations as potential partners or competitors. For instance, United Aviation Construction Corporation (UACC), one of the proposed aviation holdings currently being organized, is going to consolidate the majority of Russian aviation firms and related research and development (R&D) bureaus in the field. The product line of Russian Region Jet (RRJ) is going to be its main core civil project, in which the U.S. Boeing Corporation is represented substantially. *Irkut*, one of the Russian firms that is to participate in the merger, offered to sell 10-25 percent of its shares to the European Air Defense System (EADS) prior to completion of the merger, potentially making EADS an active participant in the giant Russian aircraft firm UACC. Fulfillment of such defense reforms, which tend to entangle Russian defense-related industries with those of the West, have enormous political, economic, defense, and strategic implications for U.S. companies. The implementation of new regulations for investment in the defense sector in Russia thus creates additional challenges and opportunities for the U.S. firms.

Fifth, implementation of defense reform creates new patterns of civil-military control, revealing the

patterns of Russia's understandings of transparency, accountability, etc. Sixth, and finally, the proposed patterns of the modernization of the armed forces and defense reform in general demonstrate with whom and how the U.S. military can better communicate and cooperate with the Russian armed forces in order to address jointly new security challenges.

The basis of the current reform effort was established in the late 1990s. By the end of 2003, there was an increasing number of reports that the Russian military had emerged from the "crisis of survival" and was entering a stage of systemic development. The latest version of military reform (2004-08) is being implemented now, at least in part. Professionalization of the military continues, although at a slow pace and with some setbacks; and the goal to provide the armed forces with high-tech equipment and the capability to use it has begun to be realized.

Military reform is supposed to touch the structural elements of the military (reorganization of the General Staff in the Ministry of Defense and introduction of new principles of military command and control); reduction in numerical strength; initiation of a transfer from reservist mobilization principles to a system of contract service;<sup>4</sup> implementation of security sector reform, with emphasis on counterterrorism; and achievement of an overall modernization of the defense technical base. Despite inconsistencies in implementation of its original designs, Russian military reform has a road map. Its goal is to realize the transition of archaic, inefficient defense machinery to a new-generation defense posture, capable of addressing the whole complex of contemporary challenges. Neither of these goals has been reached, but in each area a number of steps to introduce systemic changes have taken place.

Currently the focus of defense reform is:

- New command and control principles;
- Mobilization system;
- Modernization and rearmament;
- Security sector reform (with special focus on counterterrorism measures); and,
- New forms of civil control over the military.

Preservation of nuclear deterrence is also considered to be an essential element of—in fact, an absolute requisite for—defense reform.

Defense reform in the RF was a long-awaited necessity. It was needed to deal with the internal requirements of military organizations, to address needed changes in response to internal strategic transformations of society and its administrative management system, as well as to current challenges posed by the spread of international terrorist threats.<sup>5</sup>

## **DEFENSE MANAGEMENT: COMMAND AND CONTROL**

The Russian military is undergoing radical changes in command and control procedures and structures. Present innovations could be considered as a provisional phase, testing the best mechanisms for transferring defense machinery from the Military District structures to regional commands and strategic “directions” or areas. The process is to be completed in 2011-15.<sup>6</sup>

### **Initial Design.**

The federal program, embodied in a document titled “On operational readiness of the territory of

the Russian Federation for the purposes of defense until 2025,” prepared by the General Staff, received the support of the Ministry of Finance, the State Legal Department of the Presidential Administration, and all subjects of the Russian Federation. It also was certified by the RF Ministry of Justice and was submitted to the Government for its approval.<sup>7</sup> This document brought together military planning within Russia’s Federal Districts (FD) and programs of social-economic developments in the regions.

The new administrative structure of the state is linked directly with the future of military reform, which is to be implemented on the basis of the universally integrated “effectiveness-cost-feasibility” model. It is also linked to the reform of the established strategic commands, operational task forces (OTF), and joint logistics, which are considered essential elements of new cost-effective approaches to defense and security.

Two types of conflicts are envisioned:

- Local/regional/global conflicts with regular armies (international interstate conflicts).
- Local/regional conflicts with irregular military formations (intrastate conflicts), separatist movements, and criminal groups, bandit formations, and terrorist insurgencies. These types of conflicts could be purely internal and focused on anticrime, antiterrorism, and actions to reestablish a constitutional order. They could also occur outside the borders of the state (on the territory of the Commonwealth of Independent States [CIS]) or be classified as cross-border conflicts.

Depending on the type and nature of the conflict, the objectives assigned to these task forces differ

among themselves. The task forces' goals and mission determine the structure of the unit and its functions. The concept of the "task force" was legitimized in the Federal Law, *On Defense* (1996), where it was stressed that joint efforts and coordination among different forces such as those of the Ministry of Defense (MoD), Ministry of Interior (MoI), Ministry of Emergency Situations and Civil Defense (MChS), Federal Border Troop Service (FBTS), Russian Electronic and Communications Intelligence (FAPSI), and the Federal Security Service (FSB) would be essential in fighting against enemy special forces, airborne troops, and criminal elements, and in guarding and defending communications, military installations, and vital economic and state facilities. The task force concept was confirmed in the RF *Military Doctrine* (2000) as a basic organizational and combat formation design to be used in an internal conflict (Article 5, No. 6) and in national defense against external threats (Article 13).

Cooperation and coordination of the task forces depend on harmonizing the demarcation zones between the military and other force structures. Before the *Concept of State Policy on Military Development of Russia until the Year 2005* was approved in early August 1998, there were different types of overlapping demarcation zones for the MoD and other force structures. In 1998 there were eight military districts and four fleets, seven districts of the MoI, six FBTS districts and nine regional centers of the MChS. The *Concept of Military Reform* established a single system of military-administrative division of Russian territory into *strategic directions*.<sup>8</sup> This harmonization of security space was aimed at overcoming the disunity of the various defense-related entities operating in a common area. In a situation of grave financial shortages, it was also designed to



unify the mobilization reserves, technical support, procurement policies, and logistics, and to coordinate command and control functions within the mentioned strategic directions.

Abandoning the duplicative functions of services and infrastructures was also considered to be a prime task of defense reform. As was stated by President Putin at the RF Security Council meeting in November 2000, "Keeping duplicating military structures does not help the country's defense and damages the armed forces."<sup>9</sup>

The RF Military Doctrine of 2000 (Article 22) defines the functions of the Operational Strategic Commands as follows: Command and control by the on-scene commander includes command over the interservice groups of general purpose forces, as well as planning and organizing joint activities with other military units, formations, and institutions responsible for military security within the boundaries of their responsibilities and the unified system of military-administrative demarcation of the territory of the RF.<sup>10</sup>

### **Setting the Parameters.**

On January 25, 2006, the Defense Ministry's newspaper, *Krasnaya Zvezda*, published an article on Russia's military policy by Chief of Staff of the Russian Armed Forces Army General Yuri Baluyevsky, who reported on the dramatic upcoming changes in the military structure of the army and navy. These include the transformation of current military districts into "operational and strategic directions"; restructuring of divisions and armies into more flexible military units with enhanced maneuverability; and formation of task forces. Task forces already are operating in the

Kaliningrad Region, now a “special district,” and on the Kamchatka Peninsula.

Moreover, the General Staff has been testing the operation of task forces at the brigade-to-corps levels in the Leningrad Military District since January 2006. In 2005-07, an experiment on practical implementation of the transfer of the command and control functions to strategic directions and establishment of functioning regional headquarters task forces of the united services began. The experiment is to be completed by 2007, with recommendations on the best practices for the subsequent transition period.<sup>11</sup>

It was reported that the transition to the strategic directions and task forces is to start only after the results of the experiments are obtained and analyzed, sometime between 2008 and 2010. The political decision on the transfer was made, according to the *Nezavisimoye Voennoye Obozrenie*, at the RF Security Council meeting on July 9, 2005.<sup>12</sup> After the institutional status of the General Staff was downgraded in 2004, its main attention was focused primarily on such traditional functions as threat evaluation, development of theoretical doctrinal concepts, planning, and strategy. Any public statements coming from the Chief of the General Staff therefore should now be seen as a declaration of policy adopted and approved by the political-military authorities at the highest levels. In addition, Minister of Defense Sergei Ivanov said, on the record, that there were no plans to make any serious changes in Russia’s military structure until the year 2010. This statement was intended to set a proper time schedule for transition. Instead, it confused some defense experts, who assumed that current Russian defense reform was only a minor adjustment<sup>13</sup> rather than a radical transformation of the entire Russian defense establishment.<sup>14</sup>

The Presidential address to the Federal Assembly on May 10, 2006, confirmed the plans for radical transformation of the defense posture. News media sources connected with the government went further by citing the decisions of the MoD Collegium (April 2006) and explaining the main parameters for command and control reform:<sup>15</sup>

- The existing six Military Districts and four fleets are to be transformed into three Regional Commands—West European (West), Central Asian (South), and Far Eastern (East)—based on integrated command and control of ground and naval forces located in the current Military Districts.
- As part of the reform, the commanding officer will be in charge of all services and military defense formations, with the exception of Strategic Nuclear Missile Forces. The commanding officer is to be responsible for territorial defense in cases of terrorist attacks and/or local/regional conflicts.
- The Air Force is to merge with the Strategic Missile Forces and Space Forces.
- Airborne troops are to be subordinated to the Main Ground Forces HQ.
- A joint logistic and procurement system is to be established for all defense/security services.

The MoD Collegium approved a plan of transformation of the command and control structure proposed by the General Staff. The transformation is expected to be completed between 2011 and 2015. It has been suggested by some defense experts that the proposed

command and control system partly resembles that of the United States.

## JOINT LOGISTICS

Setting up a unified logistic system is also an essential part of the optimization or reform of the defense/security infrastructure. The Armed Forces Logistic Support Service is being streamlined so as to better accord with the country's economic capabilities.<sup>16</sup> Ivanov, soon after being appointed Minister of Defense in 2001, wrote in *Krasnaya Zvezda* that there would be a "rationalization of logistics" as part of military reform.<sup>17</sup> Services such as warehousing, transport, and healthcare for both the army and the paramilitary forces answerable to the Interior Ministry would be integrated under a single command in each military district.<sup>18</sup> As was stated in the Ministry's *White Paper on Defense* presented in October 2003, among the goals and tasks of military reform was to speed up the unification of logistic support and technical assistance of the military and other services.<sup>19</sup>

This process meant establishment of a unified logistic system for the military and other services within seven federal districts. The system was an essential and basic element of the optimization of the Armed Forces and became a principal plank in reforming the military system. The unified logistics system presupposed certain changes in the military system itself:

- Optimization of the command and control system and elimination of duplication of command structures in the regions.
- Unification of procurement orders for the military and other forces.

- Merger of medical, infrastructure support, and transportation systems that would lead to significant reductions in personnel.
- Introduction of a territorial system of recruit induction within the boundaries of the administrative districts.

Among the goals and tasks of military reform was that of speeding up unification of the logistics support and technical assistance facilities of the military and other services. Some of these goals now are being addressed.

## **UNIFICATION OF THE PROCUREMENT REGIME**

In 2005-06 a new mechanism for commissioning procurement projects and monitoring their delivery was introduced. In order to make more efficient use of funds, members of Parliament recommended in 2004 that the government re-create a Ministry of Defense Industries. In 2005 some steps were taken in this direction by the RF executive branch when the Federal Service on State Order and Federal Military Technical Service were created within the RF MoD. In March 2006, a decision was made to create a Military-Industrial Commission (MIC) to centralize and strengthen the operational management of the military-industrial complex and act as a new state institution for unified supply and equipment procurement for all “power ministries,” with the MoD having the leading role.<sup>20</sup> The MIC was established formally as a permanently functioning institution within the RF government on March 20, 2006. Minister of Defense Ivanov was appointed immediately to lead the MIC.

On March 21, 2006, President Putin named Vladislav Putilin, former director of the Defense and

Security Programs Department at the Ministry of Economic Development and Trade, as deputy head of the Military-Industrial Commission with ministerial status.<sup>21</sup> The MIC's status, parameters, and duties were not defined and announced by the government until late April 2006. It was given responsibility for overseeing long-term strategy and planning and performing operational management of R&D procurement projects; introducing a strict monitoring mechanism on pricing of defense projects; and monitoring the overall restructuring of the military-industrial complex.

In the RF 80 percent of the arms and defense systems are produced by monopoly producers. The MIC is authorized to prevent creation of monopolies of producers and R&D in the internal market by stimulating competition between the enterprises in production of spare parts, but eliminating competition during the production stage of the completed item.<sup>22</sup> The MIC also defines the main parameters for state defense orders, including timing, pricing, and personnel policy in the defense enterprises.

Other officials assigned to the Commission besides Ivanov and Putilin are the head of the General Staff Army General Yury Baluevsky; Minister of Economic Development and Trade German Gref; Minister of Finances Alexei Kudrin; Minister of Industry and Energy Victor Khristenko; head of Rosprom Boris Aleshin; head of Rosatom Sergei Kirienko; head of Roscosmos Anatoly Perminov; General Director of *Rosoboronexport* Sergei Chemezov; and Director of the Administrative Department in the RF Government Mikhail Lychagin. Igor Borovkov, the first deputy Minister of Atomic Energy and director of the Department of Defense Industry and Information Technology in the RF Government, was appointed

as the Chief of Staff of the Commission, with wide responsibilities for framing the Commission's decisions and monitoring their implementation. In addition, there are several permanent staff members assigned to monitor and oversee specific sectors of the defense industry. These members of the staff were ordered to leave their previous posts and concentrate full time on their new responsibilities. They are:

- Alexander Goev, Director of the Krasnogorsk Optical Mechanical Plant, who was made responsible for weapons/weapon systems and platforms for the Ground Forces;
- Vladimir Pospelov, Vice president of the State Center of Nuclear Shipbuilding (Severodvinsk) and former head of the *Rossudostroeniye* (Russian vessel building), who was made responsible for the navy procurement programs.<sup>23</sup>
- Alexander Bobryshev, General Director of Novosibirsk Chkalov Aviaproduction Corporation, who monitors aviation and space programs.<sup>24</sup>

### **Joint Logistics and Command and Control in Procurement Policies.**

A joint approach for logistic support and procurement is to be implemented with the help of a joint civil agency dealing with the procurement programs for all defense and security services and agencies. The Civil Agency for procurement and outsourcing of arms and military equipment is scheduled to become operational in 2007. By the end of this year, the government promised to establish a joint system of procurement for all state defense orders and for all services.<sup>25</sup> In November 2005, in order to stimulate this

process, Ivanov was appointed First Deputy Prime Minister with an expanding portfolio, which included implementation of the military-technical policy, as well as formulation and execution of the State Defense Order; restructuring the military-industrial complex; overseeing the nuclear, space, and missile industries; and exercising responsibility over the export control regime and dual-use technologies with a view to preventing proliferation of weapons of mass destruction (WMD).

Some Russian experts have suggested that the Federal Defense Order Service<sup>26</sup> could well be removed from the MoD and placed under Ivanov's direct supervision as first deputy prime minister. The main purpose would be more complete and energetic compliance with the transformation of the defense industry and establishment of a civilian joint procurement agency, which would act on behalf of all services/defense communities.<sup>27</sup> However, the leading role of the MoD in the oversight of procurement policies is apparently to remain unchallenged.

### **Special Forces and Intelligence.**

Streamlining command and control procedures has affected the highly sensitive spheres of defense organization as much as it did the intelligence networks and special purpose forces. In accordance with the "Plan of Military Construction for 2006-10" and in line with a decision of the RF Security Council (March 2005), a unified command headquarters for Special Purpose Forces is to be established, directly subordinated to the President. This arrangement allows the Russian President to make decisions on their deployment (outside the country, in case of necessity,



to counteract terrorist threats) without approval of the RF parliament. The state budget, according to the news media, has a separate provision in the 2006 fiscal year to cover such measures. These developments can be considered revolutionary. The main principle for establishing a new military service takes into consideration not only the technical characteristics of any military hardware used, but also the possible missions, particularly those involving worldwide special operations such as antiterrorist operations. The overall training and monitoring of all special forces, it was reported, are to be transferred to the Main Intelligence Directorate (General Staff) by June 2006.<sup>28</sup> These units are going to be engaged mostly with the Western Combined Joint Task Forces (CJTFs) in North Atlantic Treaty Organization (NATO)/European Union (EU) operations, together with peacekeeping units serving under other international organizations. This measure was advertised as a step to allow the Russian MoD to respond more directly and efficiently to small-scale conflicts, to neutralize nonstate actors, and to counter nonmilitary threats in cooperation with security services and police units.

The centralization drive and optimization process is also affecting military intelligence, as widely reported in the Russian press in early April 2006. According to General Baluevsky, the goal of such reform was "making a more efficient system of military intelligence, better equipping intelligence units in the services, and stepping up the process of centralization and planning under the General Staff."<sup>29</sup> The changes mean that the Intelligence Directorates of the Air Force, Navy, and Ground forces are to be dissolved, with army intelligence units subordinate to the Main Intelligence Directorate and responding directly to

it. The Intelligence Directorates of the services are to be transformed into departments with less staff, allowing the ministry to cut personnel from 20 to 6 persons; new units are to be headed by officers at the rank of colonel instead of lieutenant general as was formerly the case.<sup>30</sup> Under the previous system, the regional directorates were responsible for the training of special forces units.<sup>31</sup> Thus, according to Russian Duma member and ex-Deputy Minister of Defense Andrey Kokoshin, Russia is in the process of forming a completely different military triad: strategic forces (with traditional elements of strategic missile, navy, and aviation forces); conventional forces (consisting of ground and nonstrategic navy and air components); and special antiterrorist forces.<sup>32</sup>

### **Antiterrorist Network/Security Sector Reform.**

Command and control reform entails the introduction of “changes not only in the armed forces, but in all elements of the defense organization of the state that should be capable of effectively providing self-defense in any developing circumstances of the international situation.”<sup>33</sup> On December 15, 2002, it was announced that the Russian Prime Minister approved appointments to the Federal Antiterrorist Commission and signed the order on the Status of the Commission. The nominations confirmed the establishment of a permanent institutional body that was to act as a center for coordination of the security, border guard services, and militia (police) on a regular basis, including emergencies. This decision entailed establishment of a new coordination system for antiterrorist security. The Commission was made responsible for formulating the RF antiterrorist strategy and tactics; coordinating the actions of the ministries,

services, and executive authorities at all levels aimed at neutralization and prevention of terrorist attacks, as well as for addressing the conditions that promote them. The Commission was also made responsible for initiating and introducing antiterrorist legislation. The decisions made by the Commission are binding on all federal executive institutions, executive authorities of all subjects of the Russian Federation, regional antiterrorist commissions, and all organizations of the RF.

The Federal Security Service (FSB) provides operational management and logistic support. Information support and policy assessments are provided by all federal ministries, agencies, and services represented on the Commission and the authorities involved in any potential terrorist incident on a case-by-case basis. As former Minister of Interior General Kulikov pointed out, the difference between the new system and the 2002 arrangement so far as security counterintelligence operations were concerned lay in more efficient procedures and a clearer division of functions. Both the President and Prime Minister are the approval authorities for overall operational plans, but operational implementation is left to the specific services.<sup>34</sup> The roles of the FSB and Ministry of Interior as the main players in the Commission were confirmed by the then Prime Minister's decision No. 2149. The urgent need to address the terrorist threat brought about the increasing influence of the security services. The trend has intensified since 2003, as the FSB became *de facto* a leading "senior service," as it was called by Dmitri Trenin, senior defense and security expert from Carnegie Center, Moscow. As a result, the hierarchy of responsibilities and subordination was adjusted to reflect the growing importance and prominence of the antiterrorist apparatus.

The National Antiterrorist Committee (the NAC, functioning under the FSB directorship) was created by Presidential decree in February 2006. A Federal Operational Headquarters for the NAC is headed by Nikolay Patrushev, double-hatted as chairman of the NAC and head of the FSB. Parallel headquarters for NAC activities were established at lower echelons of the Russian Federation. Heads of all headquarters and staff appointments were nominated. The staff of the NAC is part of the FSB. Other officials assigned to the Federal Headquarters are Minister of Interior Rashid Nurgaliev (deputy head of the Federal Headquarters); Deputy Minister of the Federal Security Service and Chief of Staff of NAC Vladimir Bulavin (deputy head of the Federal Headquarters); First Deputy Prime Minister Sergei Ivanov; Head of the Ministry of Emergencies and Civil Defense Sergei Shoigu; Minister of Foreign Affairs Sergei Lavrov; Director of the Foreign Intelligence Service Sergei Lebedev; Director of the Federal Protection Service of Russia Yevgeny Murov; Head of Rosfinmonitoring Viktor Zubkov; Deputy Head of the Security Council R. F. Valentin Sobolev, etc.<sup>35</sup>

According to the International Institute of Strategic Studies publication, *Military Balance 2005-06*, among members of the NAC are also the Deputy Head of the Presidential Administration; the Deputy Chairman of the Federation Council; one member of the State Duma; the Minister for Health and Social Development; the Minister for Information Technology and Communications; the Minister for Transport; the Minister of Justice; the Director of the Federal Guard Service; and the Head of the Federal Monitoring Service.<sup>36</sup>

The NAC focuses on coordinating the work of emergency forces in the seven federal districts,

which are responsible for monitoring all elements of the executive institutions in case of an emergency. For instance, the NAC is in charge of coordinating the territorial organizations of the federal executive power institutions, regional power structures of the RF subjects, and local authorities in preventive measures against terrorism. It is expected to minimize the impact of terrorist actions and coordinate activities of the civil institutions after any terrorist attack. Practical planning, coordination, and execution of the operations in post-attack periods are under the direct supervision of the NAC.<sup>37</sup> At the first NAC meeting, the following organizations were represented: the National Antiterrorist Committee; seven Federal Districts (at the status of Presidential Envoy); the Military Districts; the Directorates of the MoI in the Federal Districts; and the Security Services in the Federal Districts. In cases where emergency rule is invoked, the NAC has a network that could be used effectively for direct governance of any region or group of the Federation and for coordination and monitoring of political and economic activities.<sup>38</sup>

In addition, the presidential team took steps to tighten control over personnel policies in the security services. On December 27, 2005, President Putin signed amendments to Articles 4 and 6 of the Federal Law, *On Defense*, intended to harmonize the main document with the changes introduced to the federal laws *On the FSS (FSB)* (Article 16) and *On the Federal Protection Service* (Article 18), which expanded the authority of the President. These amendments granted sole authority to the President for deciding the numerical strength of military personnel and civilian employees of both the FSB and Federal Protection Service. An affirmative decision on the amendments was voted by the State Duma on December 9, 2005, and by the Federation Council on December 14, 2005.<sup>39</sup>

## MOBILIZATION/PROFESSIONALIZATION

Resolution of personnel issues also continues to be among the priorities of defense reform. Presently there are 1,134,000 servicemen in the RF armed forces. During the last 5 years, as part of the optimization process, 200,000 servicemen became excess. By January 1, 2011, another 34,000 servicemen are expected to retire or be dismissed. The stated official goal is to have 1,013,000 servicemen by 2011. However, it was promised by the Minister of Defense that no personnel from combat units will be declared excess. Only the supporting staff, together with posts in the high-ranking officers' levels (generals), are to face personnel cuts.<sup>40</sup>

The mobilization base for defense is shrinking, and the quality of draftees has declined considerably. The dynamic is striking: in 1994 about 25 out of 100 young men were drafted; in 2005-06, only 9 out of 100 young men of eligible age have been drafted into service. According to the *Military Balance 2005-06*, in 2004 and 2005, an increasing percentage of eligible conscripts were found to be physically or mentally unfit for service and had to be discharged. From 2006, Russia will be entering a stage of "considerable reduction in the working population." In 2006, Russia's labor resources could be reduced by 30,000 people; in 2007, the number is expected to go down by 370,000, and by 538,000 in 2008.<sup>41</sup>

These are going to be gap years for induction, as the percentage of those eligible to be drafted is expected to drop considerably as well. The analysis demonstrated that there was no intention to replace the conscription-based forces totally with a professional army in the immediate future. However, plans were made to proceed with the introduction of service by contract,

making it more manageable and legally binding, with a step-by-step introduction of service by contract of additional specialized categories of servicemen and draftees.

### **Professional Armed Forces.**

Formally, the professionalization experiment started in 2004 and is supposed to produce results by the end of 2007. Full professionalization at unit level remains a target which will apply first to the airborne forces and formations designated for operations in the areas of conflict. Main contingents of the airborne forces are to be transferred to service by contract by 2007. According to the official statistics, there are several units that already have become fully professional, such as the 76th Airborne Division in Pskov and the 31st Airborne Brigade and 42nd Motor Rifle Division deployed in Chechnya. The 98th Airborne Division in Ivanovo is to become fully professional by June 1, 2006 (more than 6 months ahead of schedule). The 106th Airborne Division is to become partly professionalized, with draftees and volunteer servicemen combined. The 21st Airborne Battalion in Ulyanovsk is waiting to start transformation by 2007.<sup>42</sup> Naval crews were named as the second tier priority of forces selected to be transferred to contracts.<sup>43</sup> The drive to transfer the majority of the services to contracts also has affected the MoI, Border Guards, etc. There are comprehensive transformations now taking place in the MoI's units and the special forces.

However, there already are several emergent problems with the process of professionalization of the armed forces and other services. First is the difficulty in adhering to the time schedule or annual

targets for getting young men to enroll in military service on contract. There is an unresolved dispute between the Minister of Defense and MoD staff in their assessments of the time frame needed to achieve the proclaimed goals. According to the public statement of the Minister of Defense, the MoD has to have 130-140 thousand contracted servicemen, or 50 percent of all army personnel, as professional forces by 2007. Judging by the MoD's assessment, however, it would be difficult to reach this target by 2007. By the year 2007, it is intended to have cut conscription from a 2-year to 1-year period of service and to have reduced the period of alternative service from 42 months to 18. But the number of those volunteering for contract service is not meeting annual targets. For instance, in 2004 the number of those registered for contract service in the Moscow Military District was only 17 percent of the targeted figure; in the North Caucasus, 45 percent; in the Volga-Urals, 25 percent.<sup>44</sup> Presently there are 109,000 sergeants serving under the MoD, but only 23,000 are under contract.

Second, the MoD is faced with the problem of keeping up to numerical strength those regiments that already have been transferred to contract service. Moreover, according to the Military Prosecution Office, an increasing number of contracted servicemen from the aforementioned units have been relieved of duties for drunkenness and violence. Also, there has been an increasing tendency for soldiers serving under contract to fail to return for duty after vacation.

Third, double-booking has been occurring, as when contracted servicemen were induced to re-register in particular other regiments or units in order to serve the government's ulterior purposes. For instance, 1,000 servicemen from the 42nd Motor Rifle Division deployed in Chechnya were induced to re-register



with the 46th Motor Rifle Division slated to take over in Chechnya from the 42nd, thus conveniently keeping them deployed in the region.<sup>45</sup>

Financial and organizational difficulties are allegedly among the reasons for these problems. There are almost no financial incentives to join the service by contract. Irregular payment and low salaries in comparison with the civilian sector are the rule. (The contracted soldier's monthly salary is about 5,000-6,000 rubles if he serves locally, and about 15,000 rubles if he is sent to a conflict area.) The low pay was among the reasons named for why over 2,000 volunteers quit the 76th Pskov Airborne Division, according to *Komsomolskaya pravda*.<sup>46</sup> In addition, the standard of living of servicemen deteriorated considerably with the cancellation of the traditional social benefits to them as part of the national social and economic reforms that were introduced in 2004-05.

The absence of professionally trained noncommissioned and junior officers, who are most responsible for the educational development, morale, and ethnic assimilation of servicemen, also contributed to deteriorating professionalism in the units. Failure to make sufficient provision for a professional corps of noncommissioned officers is considered a huge deficiency of the reform process, one which could in the long term result in the de facto metamorphosis of the enlisted ranks into a band of unreliable mercenaries rather than a professional army. In 2005-06, the MoD tried to improve the situation through several policy decisions:

- The MoD sought legislation to introduce stricter rules for application to those who fail to comply with the terms of contracts. Presently the amendments to the federal laws regulating

this issue are being debated in the Russian parliament.

- The Ministry is supporting creation of military centers in civil universities and colleges for promotion of professional military service.
- The MoD has introduced a new clause in the contract for those receiving military education. If, after graduation from a military college or institute, the serviceman decides to leave the armed forces and work in the civilian sector, the graduate has to pay the full cost for his/her education after discharge.
- As an indirect financial incentive to boost service by contract as well as to increase the number of serving officers, the MoD has introduced a program of liberal home mortgage benefits. They are given to those who join the service in or after 2005 and are planning to serve in the military for no less than 20 years.
- The MoD has decided to introduce contracted sergeants in the RF army as the intermediate leaders between soldiers and commissioned officers. They are to be responsible for training and education of the conscripts. On May 26, 2006, at the session of the State Duma on defense reform implementation, Minister of Defense Ivanov confirmed that the MoD was working on transferring the positions of sergeants and petty officers, as well as aircraft and ship crewmen, to contract service. If the present plans for military modernization are to succeed, an additional 26,000 sergeants on contract could be serving in the RF armed forces eventually. The changes are intended not only to combat hazing and crime

within military ranks, but also to provide the necessary conditions for professionalizing the military. Thus, the sergeant augmentation was not just a reaction to public condemnation of the publicized hazing incidents, but rather a reasoned necessity for that aspect of defense reform calling for true military professionalism.

### **Enhancing the Draft System.**

On May 10, 2006, President Putin confirmed that no shift to an all-volunteer force was envisaged. Thus the draft system, strongly defended by the top brass, will remain in place despite mounting public objections. In order to deal with the numerous challenges to effective mobilization, the MoD undertook measures, on the one hand, to increase the mobilization base for conscription, and on the other to upgrade the quality of those called to join the armed forces. In 2005-06, several new policies were tested. For example, the MoD is taking steps to improve the draft registration process, one aim being to reverse the decline in the annual harvest of draftees. Several measures were introduced:

- Until recently, there was a set of legal deferments allowing draftees to evade a draft call. The MoD has proposed, the Government supported, and the Parliament is in the process of approving, the suspension of nine types of deferment, leaving the remaining ones untouched. No longer will “delays” be given to young fathers, medical professionals working in rural areas and regions, graduates of naval colleges and academies, graduates of academies of art, civil servants (including those registered to run for the legislative bodies), and employees of defense enterprises.

- At the same time, the MoD is promoting reduction of the term of mandatory military service. By 2007, the term of service is to be reduced from 2 years to 1.5 years; and by 2008 to 1 year. Moreover, a new interpretation is being applied to “alternative service.” Previously those applying for alternative service in lieu of serving in active military units could invoke only their religious/pacifist beliefs as justification. However, if new amendments are adopted, any compelling explanation for such a request in written form, whether based on religious/philosophical convictions or not, should be sufficient for consideration. However, the MoD opposes allowing service in the police (militia) or fire service to count as an alternative to military duty. The term of alternative military service is to be reduced as well, from 3 years to 1.5 years by 2008. This reduction is to be accomplished in parallel with the term reduction for active military duty. Another liberalization of alternative service being proposed is elimination of residency restrictions, thus permitting alternative duty in the part of the RF where the conscript permanently resides.
- Another point addressed was the alleged ineffective work of military district commissariats, as reflected in their inability to enforce a call-up of young men of draft age. The RF government therefore introduced plans to reform the national system of military district commissariats, with the officers in charge now to be rotated after 3-year terms. Over 600 commissariats, generally those covering larger territories, are to be closed or merged. The 3-year rotation in the recruitment centers is intended

to reduce corruption among the officers (e.g., bribes in exchange for deferments) and thus increase the number of those inducted into the service.

- The officers from the reserve centers are to be either placed within the regular mobilization orbit or transferred to active military units. These innovations are to be introduced in 2006. In responding to military district commissariat complaints about the absence of financial assistance to promote contract service, the MoD initiated a 24-hour-a-day RV/TV service. The program "Star" (Zvezda) could be heard and viewed in 58 regions of the RF, thus hopefully covering the "propaganda" gap. Among its goals are enhancement of military service's image and promoting the benefits of contract service. Patriotic education is becoming an important element of the public relations and news media work of the MoD and other services.
- The MoD has proposed a series of programs to resolve health-related problems and low educational levels of draftee contingents. The MoD has introduced a system of rigorous medical screening of young men eligible for the service. Hospitals henceforth are required to send medical data of potential draftees to the military district commissariats throughout the year. Thus, the disqualification of a draftee on medical grounds is to become much more difficult to fake. Special military training and education courses are to be reinstated in the secondary schools to upgrade physical fitness and the educational and professional levels of

potential draftees. Special training programs are being introduced in the military commissariats to provide physical training for future conscripts.

All these changes have long-term goals aimed at addressing not only demographic loopholes in recruitment, but also the profound reductions in the quality of military recruits. Until recently, the armed forces mostly drafted reserves with working class backgrounds from industrial estates and rural areas. This imbalance was a deficiency since the recruitment pool ought to be “socially balanced” and, most importantly, “better ready for new generation equipment and new military tasks.” The military would like to upgrade the educational level of all recruits. Special attention is being given to the new generation of recruits in view of the important procurement programs being implemented by 2008-10. In the year 2000 assessments, qualitative changes in the mobilization base were targeted for achievement by 2010. According to the most current public statements by authorities, the timing of mobilization reform has been advanced by 2 years; reform is expected to be completed by 2008. Meanwhile, the closing of deferment loopholes is supposed to provide the military with more boots on the ground, obtaining recruits, first of all, from the regions with higher-than-average unemployment among young men, as well as rural areas. The selection process is intended to ease social tensions while preserving recruitment potential from higher educational backgrounds for future mobilization campaigns.

As a demonstration of the armed forces’ transformation, the MoD is introducing new regulations that reflect

the practical realities of operating within a complex combined (professional and conscript) mobilization system. Presently only the Drill (Operational) Manual, which takes into account the Rules of Engagement (ROE) for the service under contract, has been submitted to the units. Within a few months, however, the MoD and MoI are planning to provide the armed forces with several new manuals addressing disciplinary issues, guard and garrison duty, home affairs service (MoI only), etc.<sup>47</sup>

## **MODERNIZATION AND REARMAMENT**

The focus of its procurement programs confirms that the political and military leadership sees its main tasks to be sustainment of nuclear deterrence as a political/military tool and obtaining the capability to wage counterterrorist/special operations domestically or internationally, as part of cooperation with the West (CJTFs, NATO, EU, CIS), etc., or against internal instabilities. Moscow is redefining its national priority interests by focusing its attention on rebuilding and reforming the country's defense and security systems. Engaging the business community in the restructuring plans is seen as one of the main elements of the program's success. The priority focus is on nuclear deterrence and counterterrorism.

The government has announced a policy of selected and targeted state investments in defense/security procurement programs. The procurement program has three main elements: (1) nuclear strategic forces; (2) equipment for permanent/readiness units; and (3) equipment for units engaged in counterterrorist operations.

## **Strategic Nuclear Deterrence.**

Moscow is investing heavily in strategic nuclear forces and special operations forces until it can reform its conventional military. The focus is on the nuclear triad (strategic air, naval, and ground forces) for sustaining nuclear deterrence. Though publicly and officially Moscow has confirmed its interest in preserving the nuclear triad, the currently existing programs concentrate mainly on the modernization of naval and ground-based nuclear strategic forces by 2015-20. The RF constantly reiterates its continuing intent to preserve nuclear deterrence. On March 30, 2006, President Putin, addressing a special meeting on the military nuclear complex, said that "analysis of the current international environment and prospective trends of its development determines that Russia should consider nuclear deterrence as a cornerstone of its policy, to guarantee its national security and the safety of its nuclear weapons complex."<sup>48</sup>

Russia was and is consistent in promoting minimum deterrence. In 2005 and 2006, Russia's Minister of Defense confirmed the attainment of a level of adequate sufficiency in strategic nuclear defense as a priority state policy. In comparison with that of the Union of Soviet Socialist Republics (USSR), the Russian nuclear potential is considerably less: 39 percent fewer strategic bombers, 58 percent fewer intercontinental ballistic missiles (ICBMs), and 80 percent fewer submarines with ballistic missiles.<sup>49</sup> But the remaining potential is still enough to sustain the policy of minimum deterrence. Major General Vladimir Vasilenko, head of the 4th Central Research Institute of the Ministry of Defense (which is responsible for strategic nuclear planning), pointed out in February 2006 that "reductions of missiles in the Strategic Deterrence Forces during



the last years did not affect their ability to carry on the task of strategic deterrence.”<sup>50</sup>

At the same time, Moscow introduced changes in its criterion for assessing the sufficiency of deterrence. Parity of nuclear weapons has become an insufficient criterion for the strategic nuclear components. The new criterion for sufficiency is based on the capability of nuclear forces to penetrate the enemy’s national missile defense.

A new posture could be announced by the end of 2006 or even sooner. According to Yury Solomonov, head and chief missile designer at the Moscow Institute of Thermal Technology (MITT), the main research institute for the designing of ground- and sea-launched nuclear missiles, Russia could announce planned changes in its strategic nuclear capability by the end of the year.<sup>51</sup> Although official details are not available yet, there have been several public statements pointing to the following essential characteristics:

- Balance, but not parity;
- Minimal deterrence;
- Asymmetric response;
- Return of MIRVs; and,
- Russia’s possible unilateral withdrawal from the Intermediate Range Nuclear Force Treaty as a response to similar U.S. actions.

General Yury Baluyevskiy, Chief of the General Staff, hinted that Russia was giving up the principle of symmetry, that is, an all-out effort to preserve quantitative parity with the potential enemy. It also will develop its armed forces asymmetrically, shaping priorities that will deter reliably any threats. One such priority is a “search for ways of most efficient use of

military hardware . . . in conditions of limited resources, first of all, financial and economic.”<sup>52</sup> With the April 3, 2006, publication of a new MoD policy statement, “The Armed Forces of the Russian Federation,” Baluyevsky confirmed this shift. President Putin also stressed the possibility of asymmetrical responses in his address to the nation on May 10, 2006.<sup>53</sup>

This approach echoes the strategy of “realistic deterrence,” which was introduced initially in the 1990s. The concept signaled Russia’s acknowledgement of its limited financial resources and force capabilities. “Realistic deterrence” implies abandonment of an orientation towards the preservation of military balance through quantitative parity in weapons, instead reserving the right to respond to any aggressive acts by all possible means. According to Russia’s National Security Concept (2000), the country is giving priority to diplomatic, political, economic, and nonforce methods in crisis- and conflict-prevention operations. However, the state reserves the right to use military force unilaterally if the combination of nonmilitary threats to national security is considered unacceptably dangerous.<sup>54</sup>

In other words, the principle of *realistic deterrence* accepts the possibility of becoming engaged in a military conflict both through an escalating pattern and through one’s inadequate or asymmetrical response (for instance, a unilateral strike as a response to a non-nuclear threat to the existence of the nation).<sup>55</sup> This approach is based on a new understanding of how the state should maintain its influence in vital areas by changing the nature of its presence, for example, from physical deployment to monitoring a security space through intelligence networks; by keeping open the option of upgrading its military presence in

“zones of influence”; and by adopting a new policy in relations with local communities. This approach represents an attempt by defense and security forces to address structurally the threats and challenges of the 21st century with adequate means and at the same time to optimize the costs of national security and defense postures. Two factors define the posture that RF strategic deterrence could assume—new weapon acquisitions and external weapon developments. Let’s discuss each in turn:

1. *New Weapon Acquisitions.* Russia will retain its nuclear triad of land-based ICBMs, sea-based submarine-launched ballistic missiles (SLBMs), and airborne strategic missiles that can deliver a nuclear attack from land, sea, or air without relying on third countries. The nuclear programs have had 100 percent funding support from the government in the last 2 years, although some technical problems were encountered in transferring funds originally allocated to the MoD and other services to the nuclear enterprises. Russia is planning to complete the modernization of its strategic deterrent components by 2015-20. It plans to deploy up to 2,000 nuclear warheads as allowed within the existing arms control treaties with the United States, in line with the U.S.-Russian Strategic Offensive Reductions Treaty (SORT). SORT requires that both sides reduce their nuclear stockpiles to 1,700-2,200 warheads by December 31, 2012.

Russia’s sea- and land-based missile groups would be reequipped by 2015, and the Strategic Missile Forces would then have 2,000 warheads. After 2015, the Strategic Missile Forces would be able to operate “efficiently and without further modernization” until 2045, according to RF official statements. Russia is planning to maintain the SORT-approved number

of warheads, even though decommissioning its SS-18 *Satans*. Its SS-19 *Stiletto*s are being replaced every year by single-warhead silo-based, road-mobile RT-2PM2 *Topol*-Ms. Two new missiles, the ground-launched *Topol*-M (SS-27) and the sea-launched *Bulava*-30 (SS-NX-30) ICBMs, can carry from three to six warheads. Moreover, news media reports have cited Moscow's recent disclosure of a six-warhead multiple independently targetable reentry vehicle (MIRV) *Bulava*. It was designed as part of Russia's effort to implement the Memorandum to START I (expiring in 2009). The news reports suggest that the number of MIRVs per missile was likely to grow to 10 in the near future.<sup>56</sup>

According to the designers, the missiles are based on totally different principles and technology than were previous systems and are impossible to track or intercept by available antimissile systems. Moscow is convinced that it would take other countries 10-15 years to design ICBMs similar to Russia's *Topol*-M (SS-27) and *Bulava*-30 (SS-NX-30). The RF strategic component being built is based on a missile unification principle which makes the use of nuclear missile capabilities more flexible and financially efficient in production. Unification of the missiles generated savings up to 30-40 percent (or up to 12-15 billion rubles) in R&D and testing. The cost inflation rate in producing this new type of missile is 1.95 percent annually, about the same as the standard inflation rate 1.93 percent for industry as a whole, according to the industrial production index.<sup>57</sup>

Production of the *Topol*-M missile was started in 2006. Despite some concern expressed by defense experts about the low rate of production of the missiles and their delivery systems,<sup>58</sup> deputy head of the newly established Military-Industrial Committee Putin

confirmed that measures are being taken to speed up the production cycle.<sup>59</sup> Presently Russia has five missile regiments equipped with silo-based *Topol-M* missiles. Also, the first regiment equipped with mobile *Topol-M* systems will enter operational service in 2006.

Last year Russia conducted successful launch tests of the *Bulava* SLBM, a submarine-launched version of the *Topol-M* (SS-27).<sup>60</sup> While the tests will continue until the end of the year, the new delivery systems are already under production. Fourth-generation submarines will be armed with the *Bulava* SLBM.<sup>61</sup> Several new *Borey*-class nuclear submarines are being built or planned for future construction at the *Sevmash* plant in the Archangelsk region. The first one, the *Yury Dolgorukiy*, was commissioned in 2006 and is expected to enter active service by the end of 2008. The *Alexander Nevsky* is to be commissioned in 2007 and is planned to be in service in 2009; the *Vladimir Monomakh* is expected to be commissioned in 2008 and to be in service by 2010. The MoD also has continued the process of modernizing older systems. For instance, the *Topol* ICBM was modernized, tested on November 29, 2005, and reentered service with a life expectancy of 23 years. After modernization, seven submarines were returned to service with the Northern Fleet (12th Squadron).

Special attention has been given to building a Russian system of global navigation (GLONASS) that would provide more reliability than even the U.S.-controlled global-positioning system.<sup>62</sup> It currently has 12 operational satellites of the 24 ultimately required. This year, another six satellites are being sent into orbit. Moreover, Russia's system of space-based surveillance satellites can detect missile launches worldwide. The space forces will increase their early warning capabili-

ties with new equipment reportedly enabling Russia's early warning system to function without radars based abroad.<sup>63</sup> In addition, according to Colonel General (Ret.) Victor Yesin, Vice-President of the Academy on security, defense, and law enforcement and former head of the main staff of the Strategic Deterrent Forces, new land-based radar stations are being either built (with the one at St. Petersburg already in operation) or planned to be built in Russia proper to reduce its reliance on the radar network deployed abroad.<sup>64</sup>

2. *External Weapon Developments.* Russian experts believe that if the American missile defense posture is to be developed within the parameters of the U.S. Presidential Directive dated December 17, 2002, the existing and planned Russian nuclear deterrent capabilities will not be threatened until 2020. The U.S. missile shield will have limited capabilities, which would allow Russian missiles to penetrate it. Thus the U.S. shield would not require additional changes in the RF response. However, if elements of the U.S. Missile Defense System are to be deployed along the perimeter of RF territory, then additional adjustments in the Russian nuclear deterrent will be required. Moscow is waiting for an announcement from Washington on the nature of deployments in Europe (which was supposed to be clarified in spring 2006). As stated by Russian Minister of Defense Ivanov during his trip to Surgut, Russia, on March 23, 2006:

The U.S. administration recently announced plans to set up a base in Europe as part of its plans to deploy a global missile shield, and said it would determine the [receiving] country this spring. Russia will respond to the deployment of the U.S. missile-defense base in Europe after it learns about the capabilities of the new military facility, and the number of missiles deployed there rather than its location. Only after this Russia will formulate its response.<sup>65</sup>

Major General Vasilenko, head of the 4th Central Research Institute of the Ministry of Defense, observed that:

Russia might consider unilateral withdrawal from the Intermediate Range Nuclear Force Treaty (1987) and deploy a group of medium range (land-based) missiles if it must respond to the threats related to nuclear and missile proliferation, modernization, and upgrading of the nuclear arsenals . . . belonging to the nuclear club.<sup>66</sup>

The existing technical and technological capability and industrial base allow Russia to resume production of medium-range (1,000-5,500 km) and short-range (500-1,000km) missiles if a political decision on such countermeasures is made. Though in 2005-06 the Russian Ministry of Foreign Affairs officially confirmed Russia's adherence to the Intermediate Range Nuclear Force Treaty, forthcoming developments will demonstrate whether both states are willing to preserve Mutual Assured Security (MAS) in the nuclear sphere as established between the two states after the end of the Cold War.

### **Permanent Readiness Forces.**

The airborne forces development program for 2006-10 implies the creation of special-purpose airborne and air assault units, and mountain rangers. The units are to differ by the type of equipment, training, and functions. In 2006 the airborne forces started to receive modern equipment in accordance with the procurement program for 2006-08 tailored especially for the needs of the units. First Deputy Minister of Defense Alexander Belousov stressed that, until the end of 2006, the armed forces were to receive over 170 modern armored

vehicles, i.e., 30 T-90 main battle tanks, 40 infantry combat vehicles, and over 125 armored personnel carriers (BTR-80 and BTR-90). The air force is to receive 10 new helicopters (Mi-28 and Ka-50). Modernization of 180 main battle tanks (T-72, T-80), 170 armored personnel carriers, 90 combat vehicles, and 152 aircraft and helicopters will continue. Most importantly, the MoD procurement program for the airborne forces for 2006-08 is focused on acquiring high-tech equipment, including personal theater navigation positioning systems based on the GLOANASS; night vision goggles; new combat armored personnel carriers (BND-4); 125 mm artillery pieces (*Kord*); machine guns (*Pecheneg*), etc. According to the MoD, such new equipment allows Russia to increase combat strength of receiving units by two-fold.<sup>67</sup>

## DEFENSE SPENDING

Defense spending has doubled in nominal terms (up 28 percent in real terms) since 2003. Although official overall spending on national defense is 30 times lower than in the United States, it is difficult to compare statistical data on defense-oriented expenditures. Since 2004, each year a different system for classifying defense expenditures has been presented to the public and parliament. For instance, the national defense budget headings in the 2004 state budget aggregated to 2.56 percent of gross domestic product (GDP). However, the figure excluded data on certain significant defense-related expenditures (e.g., military pensions and paramilitary forces), which were funded outside the national defense budget. If we combine all data on defense-related expenditures, according to the IISS assessments, then total defense spending came



to over 680 billion rubles, or 4.05 percent of GDP.<sup>68</sup> The presentation format of the 2005 national defense budget was changed due to the major structural reform of the RF government in 2004. As a result, under the new budget classification system, all defense-related expenditures were combined in a dedicated chapter on national defense, which contained an itemization of funds for R&D, maintenance of current equipment, and procurement of new equipment for both the MoD and paramilitary forces, etc. There were several innovations in the presentation format of the 2006 national defense budget. The itemization principle of the previous year was abandoned, although the classified portion of funds transferred to the MoD (183.1 billion rubles out of 497.7 billion) and the 666 billion total allocated for all defense-related purposes was published.

Despite such impediments to budgetary clarity, there are several obvious trends in defense spending worth mentioning. In 2004, for the first time since the dissolution of the Soviet Union, the funds allocated for internal defense equalled or exceeded the amount received for military exports. Defense expenditures in 2006 grew to 1.3 times the figure for 2005. In 2006, the sum of federal defense orders exceeded profits from military hardware sales abroad, i.e., \$8 billion against \$6 billion, according to Andrey Belianinov, newly appointed head of the Federal Custom Service and former director of the Federal Defense Order Service.<sup>69</sup> During the last several years, national defense expenditures have increased on the order of 25-to-30 percent annually. In 2005 and 2006, although substantial attention was given to routine modernization of existing equipment, one of the priorities of future defense reform is more focussed on intensive technical modernization of the RF armed forces as a whole.

The goal is to increase the percentage spent on R&D and procurement as opposed to personnel. In the past, 70 percent of defense spending went to fund personnel and only 30 percent went for procurement. For instance, in 2004 the personnel-to-procurement spending ratio was 63-37 percent; in 2005, 61-39 percent; in 2006, 60-40 percent. The targeted goal is to reach 50-50 for "procurement" relative to "personnel support." Specifically, the RF Security Council in 2004 established the goal of "optimizing" budget appropriations through 2010-11 by achieving the 50-50 ratio.<sup>70</sup>

The structure of the procurement budget was transformed as well. Until 2005, funds allocated to operational equipment were transferred mainly into R&D. In 2005 and 2006, however, the MoD and security services are starting to receive actual deliveries from the procurement projects, not just single items but complex deliveries of equipment kits. At a press conference on March 28, 2006, Minister of Defense Ivanov pointed out that the MoD and the services finally had started to commission new equipment in substantial volumes. From 2000 until 2005, the MoD commissioned only 40 items of equipment, but in 2005 its commissioned list grew to over 400 items.<sup>71</sup> However, this data should be tempered by the fact that the Russian MoD had been greatly underfunded in procurement, which led in the last decade to the aging of the majority of equipment, with only 20 percent of all equipment in the MoD service being new. In comparison, 70 percent of Western military equipment kits are new.<sup>72</sup> Serial production and deliveries of military equipment to the Russian armed forces should be in full bloom by 2010.

The state defense order for 2007 was taken under consideration (first reading) by the Military-Industrial

Commission (MIC) on May 19, 2006, with a second reading expected on June 2, 2006 (postponed). Defense spending is projected to increase by 27-28 percent in general in comparison with 2006, not just 20 percent as originally announced.<sup>73</sup> The MoD's 2007 order estimated a need for 302.7 billion rubles to cover equipment procurement, repair, and R&D. Procurement programs of weapons and military equipment are to increase by 22 percent; spending on repairs is to rise by 15 percent; and funding of R&D is to rise by 20 percent. The MoD is planning to spend the equivalent of over 10 billion U.S. dollars for these purposes in 2007. Despite the lower projections announced earlier, Defense Minister Ivanov said that the next year's procurement budget would rise by 27-28 percent. At the session of the State Duma on defense reform, he stated that spending on national defense was to exceed \$29.6 billion (U.S.). Western military experts assessed the newly provided statistical data cautiously. For example, Dr. Stephen Blank of the U.S. Army War College made this assessment: "While [the new higher figures] might result from inflationary pressures for raw materials, it might also suggest that the lack of transparency in Russian defense spending is growing."<sup>74</sup>

The acquisition programs did cover nuclear and non-nuclear items, contrary to the assessments of some western scholars.<sup>75</sup> On May 18, 2006, First Deputy Minister of Defense Alexander Belousov stated that the RF armed forces received more than 170 items in 2006. The naval procurement program was revived with several important projects commissioned, including stealth technologies.<sup>76</sup> However, despite the substantial increase in funding, the volume of the state defense order in shipbuilding and vessel-building is still 100 times less than the comparable figure for U.S. Navy programs.

There are 146 types of weapons and weapon systems being designed and adopted for industrial production to meet the needs of the MoD. According to MIC Deputy Head Putilin, an additional 415 items of military hardware successfully passed the testing, and another 409 items passed the initial testing phase.<sup>77</sup> The MoI and internal forces budget for procurement programs is expected to increase by one billion rubles in 2007. The Security Services budget for procurement programs is to increase by 5 billion rubles in 2007.<sup>78</sup> Additional funding is to be provided for counterterrorist operations and law enforcement activities in “conflict/hot spots” across the country. Presently, the acquisition programs are implemented on the basis of a 3-year plan. On April 26, 2006, the State Budget Commission adopted in principle the defense funding parameters for 2007-09. The state procurement program extending to 2015 is expected to be adopted in the second half of 2006.

In the course of implementation of the Federal Defense Order, several problems were revealed that triggered intervention of the RF government:

- Increasing costs of the procurement programs due to the existing mechanism for pricing, commissioning, and implementing the defense projects. The government demonstrated limited ability to regulate the pricing mechanisms on the defense procurement projects. Problems were registered with the limited efficiency of the defense enterprises and the irregular flow of financing from the Ministry of Defence to defense enterprises.
- Devaluation of export contracts occurred due to the internal competition of the defense enterprises for military export orders.

- The state of aged equipment and the technological base of defense enterprises has considerably degraded in the last 15-20 years in the absence of substantial financial investments in the defense industrial sector.

As a result, the RF government took several ameliorative steps:

- A new mechanism for commissioning procurement projects and monitoring their delivery was introduced. As part of this process, the Military-Industrial Commission was established as we saw earlier.
- A decision was made to accelerate the creation of vertical holding companies as avenues for reforming the defense industry.
- A new approach to funding defense projects was introduced; the Public Private Partnership (PPP) principles allowed the government to rely on business support in its plans of defense modernization.

## **Reforming the Defense Industry.**

According to Stanislav Puginsky, Deputy Head of the Federal Agency on Industry (Rostcom), completion of the reforms of the military-industrial complex is expected by 2010. The main concern of the RF government and MoD officials has been the ability of the defense industry to deliver both the expanding military export contracts and internal state defense orders on time. An analysis of industry reform plans revealed that the government has abandoned the old practice of preserving specialized labor forces as a means of holding the country's military-industrial

complex together. The current focus is on establishing technologically competitive and financially efficient corporations that can swiftly deliver the needed product to the consumer.

The reform of the defense industry is to stimulate mergers and acquisitions among the presently existing 579 state-owned enterprises and 428 shareholding firms of the defense complex. The reforms aim to trigger needed bankruptcy declarations, closures of some enterprises, and mergers of others. It is believed that approximately 46 percent of the existing enterprises could survive the reforms and be formed into 40-45 integrated holdings with potential options for further consolidation of assets. Integrated holdings are envisioned in aviation, shipping, automobile, radioelectronics, information technology, tank building, etc.

In 2005-06, a detailed feasibility study took place of the efficiency and possibility of cooperation among 600 enterprises traditionally involved in nuclear missile procurement programs. In the last few months, the senior management personnel of several dozens of defense enterprises were changed. A directing staff, with 20 and more years of experience, was ordered to retire, while new appointments were made with the aim of bringing fresh blood into the system. The new management is expected to be free from any sentimental attachments to the firms they were put in charge of so as to be able to introduce such needed but unpopular measures as personnel cuts, bankruptcy declarations, etc.

In his national address on May 10, 2006, President Putin called for the swift creation of holding companies in aviation/space and shipbuilding/vessel-building sectors. On the next day, he expressed interest in

creating such holdings by the end of 2006. The RF government is emphasizing creation of specialized holdings in aviation, shipbuilding, information technology, communications, etc., where PPP principles of combining state funding and business initiatives are to contribute to the swift revival of national industry and the military-industrial complex. For instance, a proposed aviation holding company, like the United Aircraft Construction Corporation, is to have different levels of engagement of private and state sectors in military and civilian R&D.<sup>79</sup> The level of state involvement in the military sector is to be no less than 75 percent; in transport and special-purpose aviation, it is to be around 51 percent; and in civil aviation projects, no more than 25 percent.

*Rosoboronexport*, created by the merger of *Rosvooruzheniye* and *Promexport* in November 2000, is to oversee the process of creating holding companies. *Rosoboronexport* already has experience in the creation and consolidation of helicopter firms as embodied in *Oboronprom*, a *Rosoboronexport* subsidiary. As part of the defense industry reforms, *Rosoboronexport* is scheduled to be transformed into a state corporation. The firm will continue to act as one of the main facilitators in establishing specialized vertical holding companies. *Rosoboronexport* (with a budget grown to \$6.1 billion and a portfolio worth over \$20 billion) has not only been coordinating arms export deals but, from 2002 onward, started investing in the domestic defense sector by creating incentives for specialized holdings. Recent examples of such holdings are the following: *Oboronprom*, which *Rosoboronexport* established through acquisitions and mergers of helicopter producers, and the automobile-building holding company, *AvtoVaz*, which *Rosoboronexport* acquired by buying a controlling interest and installing its own management team. The

next goal is creation of a shipbuilding holding company (the priority firms for acquisition are *Severnaya Verf* and *Baltiyskiy Zavod*).<sup>80</sup>

In sectors where vertical integrated holdings have not yet been set up, the mechanism of additional state oversight over foreign defense orders was introduced. In accordance with the Presidential decree titled "On Military and Technical Cooperation between Russia and Foreign States," dated September 2005, the Federal Military and Technical Service (headed by Mikhael Dmitriev) was given the right to appoint managers to execute export contracts, approvals of which are based on collective decisions.

### **Additional Sources of Financing.**

There is overall support for increasing defense-oriented spending in Russia. The debates in the parliament have shown that MPs supported the allocation of more than one-third of the state budget to defense needs. Some MPs such as Viktor Ozerov, Chairman of the Committee on Defense and Security of the Upper Chamber, are keen to use nonbudgetary financial means for military procurement, for example, financing some of the military procurement projects from the Stabilization Fund. However, for the time being any attempts to channel Stabilization Fund reserves into the defense sphere have been rejected by the government. On May 12, 2006, First Deputy Prime Minister Medvedev stated that the Stabilization Fund was not planned to be used for such national programs as defense/security.

On May 10, 2006, the address to the nation by President Putin revealed only the main outline of the government's elaborate plans for the defense sector.



There is an intent to combine tighter state control with liberalization of domestic investment opportunities by introducing PPP principles in rebuilding the state's industry and reforming the defense/security complex. Funding for the modernization of the armed forces and services is to come from a variety of sources and through several channels. The main influx of funds to the national budget is expected to come from customs and new taxing regulations, at least in 2007-09. The funds are not to be transferred directly to the national defense budget, but implementation of certain social and economic development programs is to benefit the general "environment" for implementation of the state defense order. Several of the measures contemplated are discussed here in greater detail:

- *Customs.* In May 2006 the RF President ordered the government to reintroduce direct control over customs, given up in 2004, to the Ministry of Economic Development and Trade as a major channel for increasing state revenues. The Federal Custom Service (which provides up to 40 percent of budget revenues) was thus resubordinated directly to the government. In addition, the Federal Custom Service was given the authority to formulate norms and regulations covering foreign economic activity. Its head is responsible for appointing and discharging the heads of regional departments and custom offices, although the deputy head is appointed directly by the government. Andrey Belyaninov, former head of *Rosoboronexport* and a close associate of President Putin, was appointed head of the Federal Custom Service on May 11, 2006. As part of the reform initiative, the private custom checkpoints, which previously functioned on some borders, were closed.

- *Arms Sales.* Moscow introduced the practice of prepaid agreements for future arms export deals. On May 13, 2006, First Deputy Prime Minister Ivanov announced that Russia was abandoning the practice of selling its military hardware on credit or in exchange for promised future incentives and paybacks.
- *State Control.* The government announced plans to increase its role in sectors of the economy associated with national resources and industry, while creating favorable conditions for private investment. Measures proposed include establishment of industrial holding companies and creation of ruble-denominated commodity exchanges for oil, gas, gold, etc.

More specifically, on May 10, 2006, speaking before both chambers of parliament, cabinet members, and reporters, President Putin proposed setting up ruble-denominated oil and natural gas commodity exchanges in Moscow. The feasibility of the proposal was established by several business teams with the participation of Western partners during the early months of 2006. Particularly, increased dividends are expected to be received from sales on the oil exchange. Preparations are to be completed by the end of 2006, with full functioning to begin in early 2007. According to Russian experts, Russian companies lose up to \$5-6 billion per year on sales of Urals oil on foreign commodity exchanges due to existing pricing mechanisms. The changes will increase the price of the Urals oil on the world markets. A radical innovation

will be the opening of access to pipelines not only to the oil companies but to traders as well.

This initiative is to be followed by a creation of a gas commodity exchange. As part of the new EU-RF energy charter, the EU purchases of gas on the Russian exchange could serve as quid pro quo for Russia's grant of access to its gas pipelines to foreign traders, as demanded by the EU. This idea received support from Alexander Dvorkin, Head of the Exports Department in the Presidential administration on May 12, 2006. It was announced formally that the gas commodity exchange would start operation within these parameters as early as June 2006. Russia is planning to follow the trend (initiated by Iran and China) of transferring the bulk of operations in the energy and metals exchanges from "customer" to "producer" markets.

- *"Social" Tax on Business.* This tax is expected to be introduced without formal legislation. The government expects to reap a concrete financial return as entrepreneurs become motivated to participate in the main economic development programs.
- *Public Private Partnership as a Legal Base.* The government is taking steps to ease the process for private capital investments in the defense sector. For instance, the government has sought new legislation that would allow it to shortcut the decisionmaking process of private/foreign investment in the defense and security sector without referring such matters for presidential consent. Such a shortcut would be granted only if the proposed investment amounts to as

much as 25-30 percent of the target enterprise. A draft of new legislation titled "On the Order of Investment in Commercial Enterprises That Have Strategic Importance for National Security of the Russian Federation," was expected to go to the Ministry of Industry and Energy and Ministry of Economic Development and Trade for consideration by early June 2006. This new legislation will redefine the term "strategic enterprise," formerly applied primarily to organizations that either are involved in implementation of the state defense order, or have the authority to import and export military or dual-use technologies and products. As of May 2006, however, the government will reconstrue the meaning of "strategic enterprise" so as to keep the decision on applying PPP in the military industrial complex out of the hands of the MoD and the military/defense establishment.<sup>81</sup> The purpose is to avoid overemphasizing defense orders in the overall industrial revival plans.

- *Foreign Currencies.* On July 1, 2006, a half-year before the scheduled date, Russia suspended all restrictions on the internal movement of foreign currencies. The suspension was for the purpose of making the Russian domestic market more attractive to foreign and private investors. Such measures were introduced to coincide with forthcoming initial public offerings (IPOs) of shares of Russian companies on domestic and foreign stock exchanges, thus opening up for trading shares of oil and gas firms, etc.
- *Energy Prices.* Russian experts count on rising worldwide energy prices resulting from the growing demands for energy supplies in North

America, the EU, China, and India as well as possible energy shortages ensuing from the confrontation between Iran and the United States over Iran's noncompliance with the Nuclear Non-Proliferation Treaty (NPT).

## **CIVIL CONTROL OVER THE DEFENSE/MILITARY**

Establishment of civilian control over the military is an essential part of defense reform. Russian scholars make a clear distinction between "political," "civilian," and "parliamentary" control over the military. It is strongly believed in the RF that not every country is ready and prepared to exercise an identical level of control over the military, and that the state of affairs in specific states and societies should be correlated to the respective mechanisms of control. Vladislav Cheban, a former military strategist, has taken the position that civil control does not mean civilian, or nonmilitary, as such, but rather that the state's control over the military and security services is manifested by having military or personnel from other national services monitoring the activities of the MoD and other security services in their role as citizens with special professional knowledge and understanding of the sensitive nature of information and respect for secrecy.<sup>82</sup> This interpretation of a "proper pattern" for civil-military relations came about as a result of events Russia experienced after the collapse of the USSR.

### **Parliamentary Control.**

Parliament is conceived to provide a legal basis for the armed forces in combatting contemporary threats and implementing defense reform. Accordingly,

the RF parliament passed such federal laws as “On Emergency and Military Rule” and “On Defense,” plus other federal laws regulating the actions of the armed forces, special forces, and law enforcement agencies. Laws also were adopted regulating the activity of the military-industrial complex. In November 2004, after parliamentary hearings, the Federation Council of the RF invited the executive branch to participate jointly with the members of parliament in formulating and drafting over 30 laws, including those titled “On the Armed Forces of the Russian Federation,” “On Military Construction of the Russian Federation,” “On the State Defense Order,” and “On Military Navy Bases.” In 2005, the State Duma adopted 14 laws related to defense and security.<sup>83</sup>

However, some of the new laws could not be implemented properly because they left certain loopholes for violations or misinterpretation. For instance, issues like responsibility for executing the state defense order or guarantees for social security of servicemen were not addressed adequately by the new regulations. Particularly serious adjustments are needed to the federal law “On Mobilization Training and Mobilization in the RF.” Parliament has not always been successful in persuading the government to introduce long overdue legislation increasing civil control over the military. For instance, since 2000, the Russian government has stalled consideration of the draft federal law “On the Armed Forces of the Russian Federation,” mentioned above, by the State Duma.<sup>84</sup>

Some defense experts draw attention to the weak role played by legislators in the implementation of defense reform, e.g., failure to exercise parliamentary control over the budgeting process. But it is difficult for parliament to monitor and assess defense-related data. Some data is not released to the MPs at all, and

some data is classified, especially as to costs and the efficiency of procurement programs. The monitoring job is difficult in the absence of long-term publicly announced procurement plans, which are essential for determining the relative efficiency of defense spending. There is no stable, regularized taxonomy for the defense spending and procurement document sent forward for parliamentary assessment. Continual year-to-year changes in budgetary categories have been the rule for national defense budget expenditures since 2004.

### **The Public Chamber.**

Pervasive dissatisfaction with the efficiency of the Russian parliament has led the government to create the Public Chamber as an important element of civil control. The main formal task of the Chamber is to monitor how state institutions comply with existing law and provide a channel for “bottom up” suggestions for new laws. For instance, The Public Chamber’s commission on public control over law enforcement institutions (Chair Anatoly Kucherena) has held sessions on the subject of bullying in the armed forces. On April 14, 2006, the Commission held hearings on hazing in the army as well as public/civil control of the military.

On other occasions, the Public Chamber has acted as a test bed for new policies being considered by the authorities. For instance, the Chamber suggested adoption of a new law that would require legal limitations on applicants for civil service managerial positions in the executive or legislative bodies, e.g., disqualification of any person who deliberately avoided serving in the military. It remains to be seen

whether this initiative, condemned by Human Rights Ombudsman Vladimir Lukin on April 20, 2006, will be translated into law.

### **Independent Judicial System.**

An independent judiciary is still in the process of realization. However, revelations of hazing in the army have relevance to the matter. Chief Military Prosecutor Alexander Savenkov publicly confronted Minister of Defence Ivanov at a session of the Main Military Prosecution Office (MPO) in May 2005. He blamed the Minister personally for inept handling of the “Ulman’s court case” in the North Caucasus and for appointing former Commanding Officer of the Northern Fleet Gennady Suchkov as an adviser to the Minister of Defense. The public controversy continued into 2006. On February 15, 2006, the Minister of Defense, in turn, blamed the MPO for the high level of unsolved crimes in the military. Among 20,390 registered crimes and incidents, he claimed the MPO managed to close only 153 cases (0.75 percent). The arguments between the MoD and MPO demonstrate the RF General Prosecution Office’s support of MPO efforts to make the investigative mechanisms within the military more effective and to introduce new channels of professional and public scrutiny. The establishment of MoD-MPO joint working groups in military units can be taken as a measure of support for law and order within military units. In the most troublesome units, these groups are to function on a permanent basis.

### **Financial Monitoring and Audit.**

Defense spending has increased three-fold since 2000. On the one hand, the funds provided exceed



spending on national health care and education before these areas were named as national federal priority programs for development. On the other hand, the funding provided is not enough to implement the type of reform espoused publicly. The rise in the amount spent in the last few years in procurement programs did not result, in some cases, in an increase in the amount of equipment delivered to the armed forces. The spending increase was due both to inflation and to the decision of the enterprises to submit a much higher bill to the MoD and other services for commissioned procurement orders. This frustrating situation triggered a decision by the political/military authorities to order an independent audit of defense procurement programs. Since 2004, the Federal Audit Chamber has been investigating such procurement programs and possible misuse of state defense funds. These investigations have resulted in several high-level convictions on charges involving corruption and misuse of funds.

### **Presidential Control.**

As part of administrative reform in 2004, the power structures were subordinated directly to the President. In order to overcome the institutional autonomy of the military, particularly as expressed in the ministerial opposition to reforms dealing with corruption within the defense and security establishment, the Presidential administration is enforcing vigorous personal presidential control over the military/defense and security establishment. Though there already was a tradition of strong presidential control over the military<sup>85</sup> in Russia, the present phase properly can be characterized as an attempt to put the FSB under tight presidential control. Two measures will illustrate:

- The personnel policy in the Federal Security Service (FSB) has been under presidential control since December 2005 (including the numerical strength of the service).<sup>86</sup>
- First made public in September 2005,<sup>87</sup> an independent investigative unit within the Ministry of Justice has been created, but it is subordinated directly to the President. It has the specific functions of monitoring and investigating any violations of regulations and/or corruption charges brought against personnel in the power block ministries (*siloviki*). The first results of the investigative work of the unit were revealed in May 2006, when high-ranking officials in the FSB, counterterrorist units, MoI, Customs, and the Prosecution Office were dismissed from their positions on charges of corruption and criminal activity.

## CONCLUSIONS AND RECOMMENDATIONS

Analysis of current developments in Russian defense reform shows that, despite a very slow and rocky start extending even to the present, defense reform is happening steadily, although still very slowly. Elements of the reform “road map” are indeed being implemented when conditions are conducive. Marked change can be expected to be visible by 2008-10, when the Russian defense and security establishment will review results of progress in professionalizing member institutions. This is the period when serial deliveries from the procurement programs are expected to reach the armed forces and services. That is also the time when a transfer of military functions from the Military Districts to strategic directions and operational task forces is envisioned.

Meanwhile, the current phase of defense reform can be considered as transitional. Nevertheless, it affects all elements of the state's defense and security systems. Current Russian defense reform provides new windows of opportunity for the U.S. armed forces regarding cooperation/links/contacts with their Russian counterparts. For example:

- As a re-MIRVing program for Russian strategic nuclear forces becomes a reality, it might become essential to "revisit" the arms control agenda. As part of the package, both militaries could exchange views on prolonging the START regime.
- With expanding energy cooperation between the two nations, the task of securing deliveries and storage facilities could be shifted to the armed forces as a possible opportunity for combined missions. As the Russian military is given new missions in securing offshore energy facilities and maritime transportation corridors, the U.S. armed forces might well be interested in the possibilities of increased cooperation with the Russians, or at least in making space monitoring of maritime transportation routes more transparent. New options for naval cooperation could be seen as part of the energy security framework, or as extended missions under the New Proliferation Initiative mandate.
- In Russian defense industries, it might become essential to explore new opportunities provided by the restructuring of Russia's defense enterprises and creation of holding companies performing R&D and producing civil, dual-use military equipment as part of their portfolios. The possibility of participation in the PPP

projects (joint integrating holdings) should be considered seriously, especially in view of the potential deals already made or forthcoming between Russian companies and European, Chinese, and other foreign firms.

- Consideration should be given to enhancing contacts between national special-purpose forces, joint training/exercises, and short-term exchange programs, since special-purpose forces/peacekeeping units should be seen as specially selected preferential partners for cooperation with the U.S./NATO forces in “out-of-area” operations. However, it should be acknowledged that Russian armed forces are going to be employed internally with expanded “policing” functions.

In addition to contacts between the U.S.-RF armed forces, defense reform opens additional opportunities for legislative contacts between the corresponding committees of the Russian Parliament and the U.S. Congress. It might be useful to consider the possibility of reopening the exchange program for members of the parliamentary/congressional committees’ staffs. Such a program could help to establish long-term contacts between the two legislative bodies and stabilize channels of communications on issues related to the public debates on bilateral defense and security issues. These are some of the opportunities that conceivably could arise as Russian defense reforms progress. But whatever course bilateral military relations between Moscow and Washington take, American analysts and officials should understand that, while Russian defense policy may not have been of consuming interest or importance in the recent past, it is certainly so today.

A new, improved Russian military establishment is arising, and it demands to be taken seriously both as an object of analysis and of policy.

## ENDNOTES

1. Isabelle Facon, "The Modernisation of the Russian Military: The Ambitions and Ambiguities of Vladimir Putin," Conflict Studies Research Centre, Russian Series 05/19(E), April 2005; Steven E. Miller and Dmitri Trenin, "The Russian Military: Power and Policy," Steven E. Miller and Dmitri Trenin, eds., *The Russian Military: Power and Purpose*, Cambridge, MA: MIT Press, 2004; Stephen Blank, *Threats to Russian Security: The View From Moscow*, Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2000; Stephen Blank, "The Framework of Russian Defense Policy Under Vladimir Putin," paper presented to the II Conference on Russia's Security Environment, Center for Strategic Leadership, U.S. Army War College, Carlisle Barracks, PA, December 4-6, 2000.

2. In October-November 2005, a new mission for the Russian armed forces was announced by First Deputy Prime Minister and Minister of Defense Sergei Ivanov. The Minister went public with a new mission statement for the navy during his inspection visit to Vidinyaevo, Murmansk region (a base of the multifunctional and combat nuclear submarines), on May 16, 2006. The Northern Fleet is going to take the mission of safeguarding the transportation routes of Russian liquified natural gas to the free market customers. The Northern Fleet is to take part in serious exercises in the world's oceans. Russia has capabilities to take part in the Non-Proliferation Initiative, as the Northern Fleet possesses up to 75-80 percent of total naval combat capabilities. See "Sergei Ivanov Had a Working Visit to the North Fleet," *ITAR-TASS*, May 16, 2006. Dr. Stephen Blank assumes that this mission will be transferred to other services as well: "The Northern Fleet, and presumably other formations as well, are now openly tasked with defending energy platforms and tankers." See Stephen Blank, "Reading Putin's Military Tea Leaves," *The Jamestown Foundation Eurasian Monitor*, May 19, 2006.

3. Keir A. Lieber and Darryl G. Press, "The Rise of U.S. Nuclear Primacy," *Foreign Affairs*, Vol. LXXXV, No. 2, March-April, 2006, [www.foreignaffairs.org/20060301faessay85204/keir-a-lieber-darryl-g-press/the-rise-o](http://www.foreignaffairs.org/20060301faessay85204/keir-a-lieber-darryl-g-press/the-rise-o).

4. Victor Ozerov, "In XXI Century Our Army Cannot Allow Itself to Exist as It Did," *www.Strana.ru*, March 14, 2005.

5. In one of his articles, former Chief of the General Staff General Anatoly Kvashnin made the following point:

One of the vital elements of the military reform is making a transfer to the territorial principle of C&C over the military and other services of the Russian Federation . . . . The system of a military-administrative territorial division in Russia is based on a territorial principle of subordination, command, and control. The realization of this principle in full should help to unite all elements of operational control of the "power ministries" under one executive official, who as a result should carry personal responsibility for defense and security of the state within the defined territorial boundaries. . . . Today's victory on the ground is not to be achieved without gaining superiority in the air and space, and without active information superiority. . . . The principal character of future wars will be determined by the use of high precision weapons, intelligence-information systems, and radio-electronic warfare. The increasing possibility of incorporating all these components in one joint combat system will change radically any future military activity. . . . Forming of this system began in the Russian armed forces in the mid-80s. Presently it is at the stage when such a system is receiving realistic features and can be established on the existing material basis . . . . Establishing a unified system of technical assistance and logistics for the armed forces and all other forces and military formations and institutions of the Russian Federation that are responsible for the state's military security is becoming one of the main priority tasks of military construction.

6. "Generally-Admiraly," *Vedomosti*, May 22, 2006.

7. Information Agency "Finmarket" and Military News Agency, June 13, 2000, available at [www.finmarket.ru/z/nvs/snews.asp](http://www.finmarket.ru/z/nvs/snews.asp) and [www.militarynews.ru/emain.asp](http://www.militarynews.ru/emain.asp).

8. *Sobranie Zakonodatelstva Rossiyskoi Federatsii* (Collection of Legislation of the Russian Federation), No. 31, Article 3839, 1998; *RF Military Doctrine*, Moscow, Article 19, 2000.

9. Security Council of the Russian Federation, November 9, 2000, available at [scrf.gov.ru](http://scrf.gov.ru).

10. *Ibid.*

11. Georgyi Kasyanov, "Discharged Generals Lead Military Reform," *Nezavisimoye Voyennoye Obozreniye*, March 17, 2006.

12. *Ibid.*

13. The most common mistake is to dismiss the evidence of transformation of C&C that is imposed by the introduction of a new joint command structure (Regional Command) and gradual transfer of functions from the Military District to this additional (for the time being only) level of command between the General Staff and the Military District. See Keir Giles, "Russian Regional Commands," Conflict Studies Research Center, April 2006.

14. Irina Isakova, *Russian Governance in the Twenty-First Century: Geo-strategy, Geopolitics, and Governance*, London & New York: Frank Cass, 2005.

15. "Generally-Admiralty," *Vedomosti*, May 22, 2006, available at [www.vedomosti.ru](http://www.vedomosti.ru); "Liquidation of the Military Districts Is Not Far Away," *Russian Kurier*, No. 552, Moscow, May 2006, available at [ruscourier.ru/archive/1363](http://ruscourier.ru/archive/1363).

16. The infrastructure of the RF Armed Forces Logistic Support Service is an aggregate of bases, depots, enterprises, and other facilities and installations designed to ensure logistic support for combat operations and to conduct daily routine activities. See Lieutenant General D. V. Bulgakov, "Reforming the Logistic Support System," *Military Thought*, January 7, 2000, p. 68, available at [news.moisinfo.ru/news/2000/MTH/07/data/004mth67.htm](http://news.moisinfo.ru/news/2000/MTH/07/data/004mth67.htm).

17. *Krasnaya Zvezda*, April 26, 2001.

18. Robert Cottrell, "Russia to Restructure Army," *Financial Times* (United Kingdom), April 26, 2001.

19. *Interfax*, October 11, 2002.

20. *Interfax*, March 28, 2006.

21. *ITAR-TASS*, March 2, 2006.

22. "Russia's Military Industrial Complex Is Getting Rid of Monopoly Producers," *Izvestia*, May 6, 2006.

23. *Ibid.*

24. Victor Myasnikov, "Main Starting Point of Defense Financing: The Military Industrial Commission Is to Form the

State Defense Order," *Nezavisimoye Voyennoye Obozreniye*, May 19, 2006.

25. *RIA Novosti*, May 11, 2006.

26. It was formerly headed by Andrei Beliyaminov before his current posting as Head of the Federal Custom Service, to which he was appointed in May 2006.

27. "Military Are Transferring the Defense Order to the Civilians," *Kommersant*, May 15, 2006.

28. *Ibid.*

29. *Grani.Ru*, April 4, 2006, available at [www.grani.ru](http://www.grani.ru).

30. *Ibid.*

31. *Vedomosti*, April 4, 2006.

32. Irina Isakova, *Russian Governance in the Twenty-First Century: Geo-strategy, Geopolitics, and Governance*, London & New York: Frank Cass, 2005, p. 269.

33. This definition of military reform was given by RF Minister of Defense Sergei Ivanov at the meeting in the State Duma that was organized in celebration of the National Day of Defender on February 18, 2003. He noted the role of the State Duma in defense and security of the country. *RIA-Novosti*, February 18, 2003.

34. Information, available at [www.vesti.ru](http://www.vesti.ru); [www.lenta.ru](http://www.lenta.ru); [www.Strana.ru](http://www.Strana.ru).

35. "Operational HQ Are Established As Part of the NAC Structure," May 12, 2006, available at [www.politcom.ru](http://www.politcom.ru).

36. *The Military Balance 2006*, London: International Institute for Strategic Studies (IISS), 2006, p. 148.

37. "Operational HQ Are Established as Part of the NAC Structure," May 12, 2006, available at [www.politcom.ru](http://www.politcom.ru).

38. Yevgeny Zybchenko, "Siloviki Are Building a Vertical Power: The Responsibilities Given to the National Antiterrorist Committee Allow to Govern the Country Directly," *Novye Izvestiya*, May 17, 2006.

39. *ITAR-TASS*, December 27, 2005.

40. *RIA Novosti*, May 26, 2006.

41. *ITAR-TASS*, April 3, 2006.



42. Nikita Petrov and Filipp Sterkin, "Airborne Troops Are To Receive Modern Equipment," *www.Strana.ru*, May 18, 2006. See *www.Strana.ru*.

43. *RIA Novosti*, May 26, 2006.

44. *The Military Balance 2005-2006*, London: Routledge, Taylor & Francis Group for IISS, 2005, p. 151.

45. The Roundtable "Debate on Defense Reform," Moscow: Carnegie Center, March 2006.

46. *Komsomolskaya Pravda*, May 12, 2006.

47. *Ibid.* Nikita Petrov, "Voyennoi Politicii ne Budet" ("There Is Not Going to Be Any Military Police"), *www.Strana.ru*, May 19, 2006.

48. *www.Strana.ru*, March 30, 2006.

49. *www.oborona.ru*, April 7, 2006.

50. *Ibid.*

51. *RIA Novosti*, April 13, 2006.

52. *Krasnaya Zvezda*, January 25, 2006.

53. "RF President Putin's Speech to the Federal Assembly, May 10, 2006," *www.president.ru*.

54. *Nezavisimoye Voyennoye Obozreniye*, No. 7, 1998, p. 5.

55. "The RF is reserving the right to use nuclear weapons as a reciprocal measure to the use of nuclear or other weapons of mass destruction against it or its allies, as well as against large-scale aggression with non-nuclear means in critical situations when the national existence of the RF is threatened," Article 8, *RF Military Doctrine* (2000).

56. *RIA Novosti*, April 13, 2006.

57. Alexander Babakin, "The Retaliation Strike Is Unavoidable," *Nezavisimoye Voyennoye Obozreniye*, May 19, 2006.

58. According to Alexei Arbatov, head of the International Security Center at the Russian Academy of Sciences, Russia needs to produce up to 30 ICBMs per year to maintain a strategic nuclear balance with the United States. Arbatov pointed out that at the present production rate of 6-8 Topol-Ms missiles a year, Russia would have only 150 such missiles and three nuclear submarines in 10-15 years. See *RIA Novosti*, April 11, 2006.

59. *Itar-Tass*, May 18, 2006.

60. The first in-flight test launch was conducted on September 27, 2005, from the *Dmitry Donskoi*, a *Typhoon* class ballistic missile submarine. On December 21, 2005, another *Bulava* was launched from the *Dmitry Donskoi* (from a submerged position) in the White Sea to the Kura test site on the Kamchatka Peninsula.

61. *RIA Novosti*, March 1, 2006.

62. *Kommersant*, April 13, 2006.

63. *The Military Balance 2006*, London: Routledge, Francis & Taylor Group for the IISS, 2006, p. 148.

64. Vasily Kasarin, "The Revenge Is Going To Be Unavoidable," *www.oborona.ru*, April 7, 2006, available at *www.oborona.ru*.

65. "Russia to React Properly to the U.S. Anti-Missile Base in Europe," *RIA Novosti*, March 23, 2006.

66. Nikita Kohan, "For Providing a Secure Parity," available at *www.oborona.ru*, February 26, 2006.

67. Nikita Petrov and Filipp Sterkin, "Airborne Troops Are to Receive Modern Equipment," *www.Strana.ru*, May 18, 2006, available at *www.Strana.ru*.

68. *The Military Balance 2006*, London: Routledge, Taylor & Francis Group for IISS, 2006, p. 151.

69. *Vlast*, February 9, 2006.

70. *ITAR TASS*, May 26, 2006.

71. *RIA Novosti*, March 28, 2006.

72. *Vremya Novostei*, March 28, 2006.

73. *Izvestiya*, May 6, 2006.

74. Blank, "Reading Putin's Military Tea Leaves"; JRL 2006-117, *Eurasia Daily Monitor*, Vol. 3, No. 98, May 19, 2006.

75. Christopher Swift, a specialist with the Center of International Studies at the University of Cambridge, stated that the Russian armed forces "have not produced any new planes or ships in the last 5 years. All the money they are investing is being put into the Topol [multiple warhead] missile system," *Washington Times*, May 12, 2006.

76. *Rosbalt*, May 16, 2006.

77. *ITAR TASS*, May 18, 2006.

78. *Izvestiya*, May 6, 2006.

79. The government supports creation of a single purpose corporate structure, with units for civil aviation; military transport and special purpose aviation; combat aviation; automated and unmanned aerial vehicles; management company; engineering center; leasing company; and testing, R&D, and training centers. There are two goals: (1) to secure Russia's future place in the international aviation market, and (2) to preserve technological independence of the Russian aviation industry in any joint ventures, aiming to cover up to 10 percent of the international aviation market by 2015. The company is competing with the major aircraft-making nations: with the U.S. (*Boeing*), Europe (*EADS*, mainly *Airbus*), Canada (*Bombardier*), and Brazil (*Embraer*). The creation of a holding company—United Aircraft Construction Corporation—is to proceed in two stages. At the initial stage a consortium is to be established, with merging of all existing firms, private and state, such as *MiG*, *Sukhoi*, *Irkut*, *BASO* (Voronezh), *Aviastar* (Ulianovsk), *Ilushin* (Kazan'), *Yakovlev*, *Tupolev*, etc. The production is to be a joint one (military and civil). The mergers are to be accompanied by massive closures of projects, facilities, and jobs. Presently, there are 500,000 jobs in the market and 300 enterprises; the aircraft industry covers 35 percent of the military-industrial complex production and 44 percent of military procurement. By the end of 2007, only 50 percent of the existing companies will have survived. Half of the surviving firms are to function as producers of assembly lines, working on foreign contracts. A new United Aircraft Construction Corporation is to be created no later than December 31, 2006. The final concept of the future holding company is to be completed by the end of next year. At present, a three-layer structure is envisioned for the future holding company, with the main HQ responsible for strategic planning (marketing, financing) at the top level. The subsidiary companies with strict specialization (on civil liners, combat planes, helicopters, etc.) are to constitute a second layer. The plants, producing elements, and assembly parts of the airliners are to create a third layer of the company. Immediately after the completion of the merger of all assets, the profits from the sales of the products are expected to reach \$2.5 billion annually (with a ratio of military to civil products sales being 70:30). By 2015, this sum is expected to increase to \$8bn (with a ratio of 50:50). There are plans to merge all intellectual and financial resources to overcome the barriers of regional competition.

80. Nikita Petrov, "*Oboronnaya Corporatsia*" ("Defense Corporation"), *Novoye Vremya*, May 18, 2006.

81. "The Investment Climate Is Going to Be Softened for the Foreigners: The Government Suggests Selling Strategic Assets Without the Presidential Decision," *Kommersant'*, May 17, 2006.

82. V. V. Cheban, *Geopoliticheskoye Polozhenie i Voennaya Politika Rossii* (*Geopolitical Situation and Military Policy of Russia*), Moscow: Graliya, 2001, pp. 363-371.

83. ITAR-TASS, April 3, 2006.

84. Ozerov.

85. Irina Isakova, "The Evolution of Civil Military Relations in Russia," in Andrew Cottey, Timothy Edmunds, Anthony Forster, eds., *Democratic Control of the Military in Postcommunist Europe: Guarding the Guards*, New York: Palgrave Publishers Ltd, 2002, p. 215-233.

86. ITAR TASS, December 27, 2005.

87. "Government Siloviki Are to Expect Another Reform," *Nezavisimaya Gazeta*, September 28, 2005.